

ENGROSSED SENATE  
BILL NO. 337

By: Kerr of the Senate

and

DeWitt of the House

[ state government - modifying tax exemption -  
Inventor's Assistance Act -

effective date ]

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 74 O.S. 2001, Section 5064.7, is amended to read as follows:

Section 5064.7 A. The following incentives shall be available to inventors for products developed and manufactured in this state and to instate manufacturers of said products; provided, to qualify for the incentives, the product shall be patented or have patent pending pursuant to federal law and shall be registered with the Oklahoma Center for the Advancement of Science and Technology (OCAST):

1. Royalty earned by an inventor from a product developed and manufactured in this state shall be exempt from state income tax for a period of seven (7) years from January 1 of the first year in which such royalty is received as long as the manufacturer remains in the state; and

2. An instate manufacturer of a product developed in this state by an inventor shall be eligible for a tax credit, as provided for in Section 2357.4 of Title 68 of the Oklahoma Statutes. In addition such manufacturer may exclude from Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, sixty-five percent (65%) of the cost of depreciable property purchased and utilized directly in manufacturing the product and

sixty-five percent (65%) of the cost of professional services rendered specifically for purposes of manufacturing the product.

The maximum exclusion for all eligible costs shall not exceed Five Hundred Thousand Dollars (\$500,000.00). If the exclusion allowed by this paragraph exceeds the Oklahoma taxable income, or in the case of an individual, the Oklahoma adjusted gross income, the amount of the exclusion that is in excess of such income may be carried forward as an exclusion against subsequent Oklahoma taxable income or in the case of an individual, subsequent Oklahoma adjusted gross income, for a period not to exceed four (4) years. For the purposes of this paragraph, "depreciable property" means machinery, fixtures, equipment, buildings, or substantial improvements thereto, placed in service in this state during the taxable year. For purposes of this paragraph, "professional services" means services which are rendered during the taxable year and are predominantly mental or intellectual in character rather than physical or manual, including, but not limited to, those of an architect, attorney, certified public accountant, public accountant or professional engineer licensed pursuant to the laws of this or any other state.

B. The Oklahoma Tax Commission, in conjunction with the Oklahoma Center for the Advancement of Science and Technology, shall promulgate rules to implement the provisions of this section.

SECTION 2. This act shall become effective January 1, 2006.

Passed the Senate the 9th day of March, 2005.

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Presiding Officer of the Senate

Passed the House of Representatives the \_\_\_\_ day of \_\_\_\_\_,  
2005.

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Presiding Officer of the House  
of Representatives